STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA
(A COMPONENT UNIT OF COOK COUNTY)

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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COOK COUNTY AND GRAND MARAIS JOINT ECONOMIC DEVELOPMENT AUTHORITY GRAND MARAIS, MINNESOTA (A COMPONENT UNIT OF COOK COUNTY)

Year Ended December 31, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

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Introductory Section

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2015

		Term Expires
Commissioners		
President	Howard Hedstrom	December 2019
Vice President	Anton Moody	December 2016
Treasurer	Scott Harrison	December 2017
Secretary	Heidi Doo-Kirk	December 2016
Commissioner	Carol Mork	December 2018
Commissioner	Mark Sandbo	December 2018
Commissioner	Hal Greenwood	December 2020

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cook County and Grand Marais Joint
Economic Development Authority
Grand Marais, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority, a component unit of Cook County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.F. to the financial statements, in 2015 the Authority adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cook County and Grand Marais Joint Economic Development Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016, on our consideration of the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting and compliance.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 27, 2016

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 196,785	$ 107,928	$ 304,713
Taxes receivable	24,901	-	24,901
Accounts receivable	4,527	44,095	48,622
Internal balances	185,459	(185,459)	-
Inventories	-	29,302	29,302
Land held for resale	1,230,000	-	1,230,000
Capital assets			
Non-depreciable	-	4,458,778	4,458,778
Depreciable - net of accumulated depreciation	-	1,557,388	1,557,388
Total Assets	**$ 1,641,672**	**$ 6,012,032**	**$ 7,653,704**
Deferred Outflows of Resources			
Deferred pension outflows	**$ -**	**$ 21,278**	**$ 21,278**
Liabilities			
Accounts payable	$ 57,827	$ 14,964	$ 72,791
Salaries payable	-	8,276	8,276
Contracts payable	40,000	-	40,000
Gift certificates	-	15,841	15,841
Due to other governments	1,405,000	-	1,405,000
Unearned revenue	22,069	26,184	48,253
Long-term liabilities			
Loans payable	-	1,030,109	1,030,109
Net pension obligation	-	155,476	155,476
Total Liabilities	**$ 1,524,896**	**$ 1,250,850**	**$ 2,775,746**
Deferred Inflows of Resources			
Deferred pension inflows	**$ -**	**$ 18,408**	**$ 18,408**
Net Position			
Net investment in capital assets	$ -	$ 4,986,057	$ 4,986,057
Unrestricted	116,776	(222,005)	(105,229)
Total Net Position	**$ 116,776**	**$ 4,764,052**	**$ 4,880,828**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities						
Urban and economic development	$ 204,276	$ -	$ 72,251	$ (132,025)	$ -	$ (132,025)
Business-type activities						
Golf course	928,939	686,601	-	-	(242,338)	(242,338)
Total	**$ 1,133,215**	**$ 686,601**	**$ 72,251**	**$ (132,025)**	**$ (242,338)**	**$ (374,363)**

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property taxes	$ 163,486	$ -	$ 163,486
Unrestricted investment earnings	-	249	249
Gain on sale of capital assets	-	12,000	12,000
Miscellaneous	4,630	55,952	60,582
Total general revenues	**$ 168,116**	**$ 68,201**	**$ 236,317**
Change in net position	**$ 36,091**	**$ (174,137)**	**$ (138,046)**
Net Position - Beginning, as previously reported	$ 80,685	$ 5,423,049	$ 5,503,734
Restatement (Note 1.F.)	-	(484,860)	(484,860)
Net Position - Beginning, as restated	**$ 80,685**	**$ 4,938,189**	**$ 5,018,874**
Net Position - Ending	**$ 116,776**	**$ 4,764,052**	**$ 4,880,828**

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Resource Development Council	Total
Assets			
Cash and pooled investments	$ 196,785	$ -	$ 196,785
Taxes receivable	24,901	-	24,901
Accounts receivable	4,527	-	4,527
Land held for resale	1,230,000	-	1,230,000
Due from other funds	185,459	-	185,459
Total Assets	**$ 1,641,672**	**$ -**	**$ 1,641,672**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 57,827	$ -	$ 57,827
Contracts payable	40,000	-	40,000
Unearned revenue	22,069	-	22,069
Due to other governments	1,405,000	-	1,405,000
Total Liabilities	**$ 1,524,896**	**$ -**	**$ 1,524,896**
Deferred Inflows of Resources			
Unavailable revenue - taxes	6,403	-	6,403
Fund Balances			
Unassigned	110,373	-	110,373
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 1,641,672**	**$ -**	**$ 1,641,672**

Fund balances - total governmental funds	**$ 110,373**
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	6,403
Net Position of Governmental Activities (Exhibit 1)	**$ 116,776**

The notes to the financial statements are an integral part of this statement.

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PROPRIETARY FUND

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Resource Development Council	Total
Revenues			
Taxes	$ 164,434	$ -	$ 164,434
Intergovernmental	62,251	10,000	72,251
Miscellaneous	4,630	-	4,630
Total Revenues	**$ 231,315**	**$ 10,000**	**$ 241,315**
Expenditures			
Current			
Urban and economic development			
Board per diems	$ 1,590	$ -	$ 1,590
Legal	900	-	900
Professional services	15,393	-	15,393
Rent	3,000	-	3,000
Advertising	13,216	-	13,216
Office	8,573	-	8,573
Insurance	3,427	-	3,427
Telephone and internet	1,275	-	1,275
Affordable housing	39,848	-	39,848
Other housing expense	96,139	-	96,139
Other	10,915	10,000	20,915
Total Expenditures	**$ 194,276**	**$ 10,000**	**$ 204,276**
Change in Fund Balance	**$ 37,039**	**$ -**	**$ 37,039**
Fund Balance - January 1	**73,334**	**-**	**73,334**
Fund Balance - December 31	**$ 110,373**	**$ -**	**$ 110,373**

Net change in fund balance	**$ 37,039**
In governmental funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The increase or decrease in deferred inflows is the adjustment to revenue between the fund statements and the statement of activities.	
Deferred inflows of resources - December 31	6,403
Deferred inflows of resources - January 1	(7,351)
Change in Net Position of Governmental Activities (Exhibit 2)	**$ 36,091**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 5

STATEMENT OF NET POSITION
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2015

Assets		
Current assets		
Cash and pooled investments	$	107,928
Accounts receivable		44,095
Inventories		29,302
Total current assets	**$**	**181,325**
Noncurrent assets		
Capital assets		
Not depreciated - land	$	4,458,778
Depreciable - net of depreciation		1,557,388
Total noncurrent assets	**$**	**6,016,166**
Total Assets	**$**	**6,197,491**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**21,278**
Liabilities		
Current liabilities		
Accounts payable	$	14,964
Salaries payable		8,276
Gift certificates		15,841
Due to other funds		185,459
Unearned revenue		26,184
Total current liabilities	**$**	**250,724**
Noncurrent liabilities		
Loans payable	$	1,030,109
Net pension liability		155,476
Total noncurrent liabilities	**$**	**1,185,585**
Total Liabilities	**$**	**1,436,309**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**18,408**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF NET POSITION
GOLF COURSE ENTERPRISE FUND
DECEMBER 31, 2015

Net Position		
Net investment in capital assets	$	4,986,057
Unrestricted		(222,005)
Total Net Position	**$**	**4,764,052**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 6

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Revenues		
Sales		
Food and beverage	$	101,538
Merchandise		103,051
Less: cost of goods sold		(113,101)
Net sales	**$**	**91,488**
Charges for services		
Green fees	$	519,035
Other		76,078
Total Operating Revenues	**$**	**686,601**
Operating Expenses		
Personal services	$	335,850
Payroll taxes		50,601
Retirement contribution		17,027
Grounds maintenance and supplies		133,500
Clubhouse maintenance and supplies		17,976
Golf cart leases and maintenance		28,957
Insurance		16,604
Utilities		32,386
Telephone		2,982
Office		2,272
Accounting and audit		4,796
Legal fees		2,917
Dues and licenses		3,112
Travel		846
Marketing		56,470
Bank charges and fees		15,575
Other		6,450
Depreciation		200,618
Total Operating Expenses	**$**	**928,939**
Operating Income (Loss)	**$**	**(242,338)**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 6
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Nonoperating Revenues		
Interest income	$	249
Insurance reimbursement		5,952
Marketing grant		50,000
Gain on sale of capital assets		12,000
Total Nonoperating Revenues	**$**	**68,201**
Change in Net Position	**$**	**(174,137)**
Net Position - January 1, as restated (Note 1)		**4,938,189**
Net Position - December 31	**$**	**4,764,052**

The notes to the financial statements are an integral part of this statement.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT 7

STATEMENT OF CASH FLOWS
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities		
Receipts from customers	$	758,696
Payments to suppliers		(453,120)
Payments to employees		(323,204)
Net cash provided by (used in) operating activities	**$**	**(17,628)**
Cash Flows from Noncapital Financing Activities		
Marketing grant	**$**	**50,000**
Cash Flows from Capital and Related Financing Activities		
Insurance reimbursement	$	5,952
Capital asset additions		(19,624)
Sale of capital assets		12,000
Net cash provided by (used in) capital and related financing activities	**$**	**(1,672)**
Cash Flows from Investing Activities		
Interest on investments	**$**	**249**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**30,949**
Cash and Cash Equivalents at January 1		**76,979**
Cash and Cash Equivalents at December 31	**$**	**107,928**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(242,338)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense		200,618
(Increase) decrease in accounts receivable		(39,117)
(Increase) decrease in inventories		(2,474)
(Increase) decrease in deferred pension obligation outflows		(14,497)
Increase (decrease) in accounts payable		43,312
Increase (decrease) in salaries payable		8,276
Increase (decrease) in due to other funds		11,614
Increase (decrease) in unearned revenue		(1,889)
Increase (decrease) in deferred pension obligation inflows		18,408
Increase (decrease) in pension liability		459
Net Cash Provided by (Used in) Operating Activities	**$**	**(17,628)**
Noncash Investing, Capital, and Financing Activities		
Construction costs paid by Cook County on behalf of the Authority	$	651,635

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

The Cook County and Grand Marais Joint Economic Development Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

The Authority was established June 14, 1988, pursuant to 1988 Minn. Laws, ch. 516, having all the powers and duties of an economic development authority under Minn. Stat. §§ 469.090 to 469.1081. As required by accounting principles generally accepted in the United States of America, these financial statements present the Authority (primary government) and its component unit for which the Authority is financially accountable. The Authority is governed by a seven-member Board, of which four members are appointed by the Cook County Board of Commissioners and three members appointed by the Grand Marais City Council. The Board is organized with a chair, vice chair, treasurer, and secretary, elected annually.

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the Authority that they are, in substance, the same as the Authority and, therefore, are reported as if they were part of the Authority. The Authority has one blended component unit.

Component Unit	Component Unit is Included in the Reporting Entity Because	Separate Financial Statements
Resource Development Council of Cook County, Inc. (RDC)	The Authority Commissioners are the governing board of the RDC, and Authority management has operational responsibility for the RDC.	Separate financial statements are not prepared.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Blended Component Unit (Continued)

The Authority is considered to be a component unit of Cook County and is included in Cook County's annual financial report.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the Authority and its component unit. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Authority's governmental activities and business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the Authority's funds, including its blended component unit. Separate statements for each fund category--governmental and proprietary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government not accounted for in other funds.

The Resource Development Council Special Revenue Fund is used to account for the activities of the Resource Development Council of Cook County, Inc., as a blended component unit of the Authority and reports intergovernmental revenues.

The Authority reports the following major enterprise fund:

The Golf Course Fund is used to account for the operations of the Superior National at Lutsen Golf Course.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Cook County and Grand Marais Joint Economic Development Authority considers all revenues as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as needed.

D. Budget

The Authority is required to annually send its nonappropriated budget to the Cook County Board of Commissioners and the Grand Marais City Council.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The Authority's cash consists of petty cash, checking accounts, and savings accounts.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments (Continued)

The cash balances of all funds are pooled and invested by the Authority for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices.

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. Pooled investments, which have the characteristics of demand deposits, are considered to be cash and cash equivalents on the statement of cash flows.

2. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. The Authority approved an annual levy for operating purposes. Property taxes are collected by Cook County and distributed to the Authority three times each year. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable.

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

3. Inventories

Inventory consists of golf course merchandise for resale. All inventories are valued at lower of cost or market using the first in/first out method.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

4. Land Held for Resale

Land held for resale comprises the business lots for sale in the Cedar Grove Business Park. The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The lots are valued at the lower of historical cost or fair market value.

5. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and structures, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000. Such assets are recorded at historical cost, except for land, which was donated. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Land improvements, buildings and structures, and furniture and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	30
Buildings and structures	20
Furniture and equipment	1 - 20

6. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not earned.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

7. Compensated Absences

Certain full-time employees of the Authority and the golf course are entitled to vacation and sick leave. Vacation and sick leave for golf course employees must be used in the year it is earned. Unused vacation at year-end is not reported as a liability, and unused sick leave is not compensated.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the Authority has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Authority has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

9. Classification of Net Position

Net position in government-wide statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt, if any, attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or invested in capital assets.

10. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Authority is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Classification of Fund Balances (Continued)

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Authority's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the Authority intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned - the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

11. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Reclassification and Restatement of Net Position

1. Change in Accounting Principles

During the year ended December 31, 2015, the Authority adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

1. Summary of Significant Accounting Policies

F. Reclassification and Restatement of Net Position

1. Change in Accounting Principles (Continued)

GASB Statements 68 and 71 require the Authority to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the Authority's net pension liability and related deferred outflows of resources, as disclosed in Note 1.F.3.

2. Restatement of Loans Payable

The January 1, 2015, Cook County and Grand Marais Joint Economic Development Authority Golf Course Enterprise Fund balance of loans payable was increased, and the balance of net position was decreased by $336,624 to correct a prior year overstatement. The effect of the restatement on net position is disclosed in Note 1.F.3.

3. Restatement of Net Position

	Business-Type Activities
Net Position, January 1, 2015, as previously reported	$ 5,423,049
Change in accounting principles	(148,236)
Restatement of loans payable	(336,624)
Net Position, January 1, 2015, as restated	$ 4,938,189

2. Stewardship, Compliance, and Accountability

Excess of Expenses Over Appropriations

The following fund had expenses in excess of budget for the year ended December 31, 2015:

	Expenses	Final Budget	Excess
Golf Course Enterprise Fund operating expenses	$ 928,939	$ 668,619	$ 260,320

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits

The Authority is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The Authority is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At December 31, 2015, $56,443 of the Authority's deposits were exposed to custodial credit risk.

b. Investments

The Authority may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2015, none of the Authority's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the Authority's investment in a single issuer.

As of and during the year ended December 31, 2015, the Authority did not own any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

2. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated Furniture and equipment	$ 1,986	$ -	$ -	$ 1,986
Less: accumulated depreciation for Furniture and equipment	1,986	-	-	1,986
Governmental Activities Capital Assets, Net	$ -	$ -	$ -	$ -

3. Detailed Notes on All Funds

A. Assets

2. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 213,685	$ -	$ -	$ 213,685
Construction in progress	3,593,458	651,635	-	4,245,093
Total capital assets not depreciated	$ 3,807,143	$ 651,635	$ -	$ 4,458,778
Capital assets depreciated				
Land improvements	$ 4,424,884	$ -	$ -	$ 4,424,884
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	1,066,198	19,624	18,000	1,067,822
Total capital assets depreciated	$ 5,863,453	$ 19,624	$ 18,000	$ 5,865,077
Less: accumulated depreciation for				
Land improvements	$ 2,884,907	$ 151,467	$ -	$ 3,036,374
Buildings and structures	372,371	-	-	372,371
Furniture and equipment	867,793	49,151	18,000	898,944
Total accumulated depreciation	$ 4,125,071	$ 200,618	$ 18,000	$ 4,307,689
Total capital assets depreciated, net	$ 1,738,382	$ (180,994)	$ -	$ 1,557,388
Business-Type Activities Capital Assets, Net	$ 5,545,525	$ 470,641	$ -	$ 6,016,166

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Golf course	$ 200,618

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of the interfund balance as of December 31, 2015, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Enterprise Fund	$ 185,459

The EDA General Fund loaned $185,459 to the Golf Course Fund in 2015 to help cover start-up costs for the year at the golf course. The golf course will repay the loan to the General Fund during 2016 as revenues become available.

C. Liabilities

1. Leases

Operating Leases

The Authority leases golf carts under non-cancelable operating leases. Total costs for such leases were $27,877 for the year ended December 31, 2015. These operating leases are expected to continue indefinitely or be replaced by similar leases. The future minimum lease payments for these leases are as follows:

Year Ended December 31	Amount
2016	$ 27,877
2017	27,877
2018	27,877
2019	117,877
Total	$ 201,508

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Short-Term Debt

Governmental Funds/Activities

The Authority took out a loan of $225,000 in 2012 from Cook County to pay operating costs. The Authority took out a loan of $10,000 during both 2013 and 2014 from the City of Grand Marais to make contractor payments.

The Authority constructed the Cedar Grove Business Park within the City of Grand Marais to provide land sites for new or existing businesses. The project was funded by the Minnesota Department of Employment and Economic Development, Iron Range Resources grants obtained by the City, and a City-issued bond. The City has an agreement with the Authority whereby proceeds from lot sales are to be remitted to the City at the time of the sale to be used to help repay the City-issued bond that financed the improvement. Unsold lots are recorded based on the fair value as land held for resale and due to other governments on the balance sheet and statement of net position.

The Authority owes the City of Grand Marais proceeds for land held for resale after lots are sold. The value of the lots as of December 31, 2015, was estimated at $1,230,000.

Short-term debt activity for the year ended December 31, 2015, is:

	Beginning Balance	Additions	Payments	Ending Balance
Operating loan	$ 175,000	$ -	$ -	$ 175,000
Land held for resale	1,230,000	-	-	1,230,000
Due to Other Governments	$ 1,405,000	$ -	$ -	$ 1,405,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Business-Type Activities

In October 2014, Cook County issued General Obligation Tax Abatement Bonds, Series 2014A, on behalf of the Cook County and Grand Marais Joint Economic Development Authority. The bonds have a face value of $2,410,000 and will be repaid over a period of 15 years. Proceeds of the bonds were used to help finance improvements to the Superior National at Lutsen Golf Course. The Authority entered into a loan agreement with Cook County and makes loan payments to the County in sufficient amounts for the County to make the required payments on the bonds.

A summary of changes in long-term debt follows:

	Beginning Balance, as Restated	Additions	Payments	Ending Balance
Loans payable	$ 336,624	$ 693,485	$ -	$ 1,030,109

4. Defined Benefit Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Cook County and Grand Marais Joint Economic Development Authority are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

4. Defined Benefit Pension Plans

A. Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Authority employees belong to the Basic Plan.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service.

4. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2015.

In 2015, the Authority was required to contribute the following percentage of annual covered salary:

General Employees Retirement Fund	
Coordinated Plan members	7.50%

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

The Authority's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were $12,657. The contributions are equal to the contractually required contributions as set by state statute.

D. Pension Costs

At December 31, 2015, the Authority reported a liability of $155,476 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the

4. Defined Benefit Pension Plans

D. Pension Costs (Continued)

total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Authority proportion was 0.0030 percent. It was 0.0033 percent measured as of June 30, 2014. The Authority recognized pension expense of $17,027 for its proportionate share of the General Employees Retirement Fund's pension expense.

The Authority reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 7,839
Difference between projected and actual investment earnings	14,718	-
Changes in proportion	-	10,569
Contributions paid to PERA subsequent to the measurement date	6,560	-
Total	$ 21,278	$ 18,408

A total of $6,560 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ (2,457)
2017	(2,457)
2018	(2,457)
2019	3,681

4. Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

4. Defined Benefit Pension Plans

E. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$ 244,463	$ 155,476	$ 81,986

4. Defined Benefit Pension Plans (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Authority purchases commercial insurance for all risks of loss. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 163,550	$ 163,550	$ 164,434	$ 884
Intergovernmental	40,000	40,000	62,251	22,251
Miscellaneous	5,520	5,520	4,630	(890)
Total Revenues	**$ 209,070**	**$ 209,070**	**$ 231,315**	**$ 22,245**
Expenditures				
Current				
Urban and economic development				
Board per diems	$ 2,520	$ 2,520	$ 1,590	$ 930
Legal	5,000	5,000	900	4,100
Professional services	6,000	6,000	15,393	(9,393)
Rent	3,000	3,000	3,000	-
Advertising	-	-	13,216	(13,216)
Office	8,240	8,240	8,573	(333)
Insurance	5,000	5,000	3,427	1,573
Telephone and internet	-	-	1,275	(1,275)
Affordable housing	40,000	40,000	39,848	152
Other housing expense	113,710	113,710	96,139	17,571
Other	5,600	5,600	10,915	(5,315)
Total Expenditures	**$ 189,070**	**$ 189,070**	**$ 194,276**	**$ (5,206)**
Change in Fund Balance	**$ 20,000**	**$ 20,000**	**$ 37,039**	**$ 17,039**
Fund Balance - January 1	**73,334**	**73,334**	**73,334**	**-**
Fund Balance - December 31	**$ 93,334**	**$ 93,334**	**$ 110,373**	**$ 17,039**

The notes to the required supplementary information are an integral part of this schedule.

COOK COUNTY GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT A-2

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0030%	$ 155,476	$ 174,824	88.93%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

COOK COUNTY GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 12,657	$ 12,657	$ -	$ 168,760	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The Cook County Grand Marais Joint Economic Development Authority's year-end is December 31.

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Budgetary Information

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year-end.

On or before July of each year, the Cook County and Grand Marais Joint Economic Development Authority sends its budget to the Cook County Board of Commissioners and the Grand Marais City Council. The proposed budget is presented to the County Board and City Council for review. The Board and Council hold public hearings, and a final budget must be prepared and adopted no later than December 31.

The budget is prepared by function and includes a written estimate of the amount of money needed by the Authority from the County and City in order for the Authority to conduct business during the upcoming fiscal year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations in the following major fund:

	Expenditures	Final Budget	Excess
General Fund	$ 194,276	$ 189,070	$ 5,206

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SUPPLEMENTARY INFORMATION

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget	Actual	Variance
Operating Revenues			
Sales			
Food, beverage, and merchandise	$ 209,790	$ 204,589	$ (5,201)
Less: cost of goods sold	(105,239)	(113,101)	(7,862)
Net sales	**$ 104,551**	**$ 91,488**	**$ (13,063)**
Charges for services			
Green fees and other charges	567,000	595,113	28,113
Total Operating Revenues	**$ 671,551**	**$ 686,601**	**$ 15,050**
Operating Expenses			
Current			
Culture and recreation			
Salaries and wages	$ 299,000	$ 335,850	$ (36,850)
Payroll taxes	54,688	50,601	4,087
Retirement contribution	12,000	17,027	(5,027)
Grounds maintenance and supplies	116,500	133,500	(17,000)
Clubhouse maintenance and supplies	10,780	17,976	(7,196)
Golf cart leases and maintenance	29,000	28,957	43
Insurance	20,731	16,604	4,127
Utilities	30,340	32,386	(2,046)
Telephone	2,856	2,982	(126)
Office	800	2,272	(1,472)
Accounting and audit	15,000	4,796	10,204
Legal fees	1,000	2,917	(1,917)
Dues and licenses	4,900	3,112	1,788
Travel	2,750	846	1,904
Marketing	50,000	56,470	(6,470)
Bank charges and fees	14,774	15,575	(801)
Other	3,500	6,450	(2,950)
Depreciation	-	200,618	(200,618)
Total Expenses	**$ 668,619**	**$ 928,939**	**$ (260,320)**
Operating Income (Loss)	**$ 2,932**	**$ (242,338)**	**$ (245,270)**

COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

EXHIBIT B-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GOLF COURSE ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget	Actual	Variance
Nonoperating Revenues			
Interest income	$ 100	$ 249	$ 149
Insurance reimbursement	-	5,952	5,952
Marketing grant	50,000	50,000	-
Gain on sale of capital assets	-	12,000	12,000
Total Nonoperating Revenues	**$ 50,100**	**$ 68,201**	**$ 18,101**
Change in Net Position	**$ 53,032**	**$ (174,137)**	**$ (227,169)**
Net Position - January 1, as restated (Note 1)	**4,938,189**	**4,938,189**	**-**
Net Position - December 31	**$ 4,991,221**	**$ 4,764,052**	**$ (227,169)**

Management and Compliance Section

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COOK COUNTY AND GRAND MARAIS
JOINT ECONOMIC DEVELOPMENT AUTHORITY
GRAND MARAIS, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Authority's assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Context: The size of the Cook County and Grand Marais Joint Economic Development Authority and its staffing limit the internal control that management can design and implement into the organization. Without proper segregation of duties, errors or irregularities may not be detected timely.

Effect: Inadequate segregation of duties could adversely affect the Authority's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: This arrangement is not unusual for an organization the size of the Cook County and Grand Marais Joint Economic Development Authority.

Recommendation: Management should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the Board of Commissioners and management be mindful that limited staffing causes inherent risks in safeguarding the Authority's assets and the proper reporting of its financial activity. We recommend the Board of Commissioners and management continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

The system that has been implemented seems to be working so far. The Board is mindful of the need to be diligent in oversight of the procedures and will try to maintain proper control of finances.

Finding 2008-001

Golf Course Internal Controls

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The golf pro, at times, will work the cash registers, process daily closing reports, and prepare deposits. The maintenance supervisor has a relative who he supervises.

Context: The size of the golf course staff limits the internal control that management can design and implement into the organization.

Effect: These practices increase the risk of improper recording of financial transactions. Without proper segregation of duties, errors or irregularities may not be detected timely.

Cause: The Authority does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties totally.

Recommendation: We recommend that the Authority and Board review, re-establish, and monitor internal controls of the golf course. Duties should be segregated to the extent possible.

Client's Response:

The General Manager is actively working with the Management Team to monitor and account for activity happening at the golf course.

Finding 2011-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the Authority's financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were reviewed and approved by management and reflected in the financial statements:

- Construction in progress increased $651,635, loans payable increased $693,485, and expense increased $41,850 in the Golf Course Enterprise Fund for the contractor costs related to the renovations that were paid by Cook County as a loan to the Authority.

- Depreciation expense and accumulated depreciation were increased in the Golf Course Enterprise Fund by $200,618 to recognize the depreciation for the current year.

Cause: The adjustments resulted from controls not detecting these errors and the Authority not considering the need for controls over the recording of certain accounting transactions.

Recommendation: We recommend that the Authority staff review the trial balances and journal entries in detail to ensure all transactions have been properly recorded to be presented in the financial statements.

Client's Response:

The financial statements and transactions are reviewed monthly at the Authority's Board meeting. The Board of Directors is also informed regularly about the current renovations happening at the golf course. Once the adjusting entries are determined by the audit and entered into the financial statements for the prior year, those financial statements are again reviewed with the Board.

ITEM ARISING THIS YEAR

Finding 2015-001

Prior Period Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: During our audit, we identified a prior period adjustment that resulted in significant changes to the Authority's financial statements:

Loans payable were increased by $336,624 to account for the loan issued by Cook County to the Authority during 2014. An agreement was made between Cook County and the Authority in which the County would pay for a portion of the golf course renovation costs with proceeds from the Series 2014A G.O. Tax Abatement Bond as a loan to the Authority. The Authority recorded the 2014 renovation costs as sales tax revenue rather than as loans payable.

Context: The need for prior period adjustments can raise doubts as to the reliability of the Authority's information being presented.

Effect: The January 1, 2015, net position of the Authority was restated (decreased) by $336,624 as a result of the error.

Cause: Oversight and error in recording loans payable.

Recommendation: We recommend that Authority staff review their financial statement closing procedures to ensure they have accurate and complete information considered necessary to fairly state the Authority's financial statements in accordance with generally accepted accounting principles.

Client's Response:

Due to the extensive renovation of the golf course and the corresponding financial transactions taking place at the County level, the Authority staff missed the reporting of the new loan payable to the County. Staff will continue to monitor this and try to fairly state the financial statements in the future.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-002

Prompt Payment of Claims

Criteria: The Authority is required by Minn. Stat. § 471.425 to make payment on vendor invoices according to the terms of the contract or within 35 days of the completed delivery of goods or services or the receipt of the invoice, whichever is later.

Condition: In our testing of disbursements and other procedures performed, we noted two payments that were not paid timely in accordance with the statute.

Context: Payments not being made timely could also be an indicator of other problems, such as poor procedural controls, poor internal controls, or cash flow problems.

Effect: Noncompliance with Minnesota statutes. Also, payments not made within the required period may be subject to interest or penalties.

Cause: This was, in part, due to cash flow problems. The Authority is on a very tight budget and, at certain times of the year, may not have sufficient funds to pay its bills.

Recommendation: We recommend the Authority make payments on vendor invoices in accordance with Minn. Stat. § 471.425.

Client's Response:

While some of the payments are not paid on time due to a cash flow issue, others are from the accountant only cutting checks every two weeks. The accountant is working more closely with the golf pro and superintendent to be able to process accounts payable more timely.

ITEM ARISING THIS YEAR

Finding 2015-002

Insufficient Collateral

Criteria: Governmental entities are required by Minn. Stat. § 118A.03, subds. 1 and 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

Condition: On December 31, 2015, the Authority had deposits at the North Shore Federal Credit Union that were not adequately covered by collateral.

Context: The amount of collateral required to secure deposits on December 31, 2015, was more than the actual amount of collateral pledged by $56,433.

Effect: When the Authority has insufficient collateral with a bank, the Authority may not receive all deposits in the event of a bank default.

Cause: Oversight in identifying and obtaining the required collateral.

Recommendation: We recommend the Authority monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

Management will monitor the deposits made to the North Shore Federal Credit Union and, if necessary, to not to exceed the federal deposit insurance amount, will deposit a portion of funds at a different financial institution.

PREVIOUSLY REPORTED ITEM RESOLVED

Unclaimed Property (2013-001)

Long-outstanding checks totaling $3,446 were written off during 2013 but not reported or paid to the Commissioner of the Minnesota Department of Commerce in accordance with statute.

Resolution

Long-outstanding checks were reported or paid to the Commissioner of the Minnesota Department of Commerce.

STATE OF MINNESOTA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of Commissioner
Cook County and Grand Marais Joint
Economic Development Authority
Grand Marais, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Cook County and Grand Marais Joint Economic Development Authority, a component unit of Cook County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cook County and Grand Marais Joint Economic Development Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 2011-001 and 2015-001 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 1996-001 and 2008-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cook County and Grand Marais Joint Economic Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Authority's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions of contracting and bidding because there were no contracts in 2015 and for tax increment financing because the Authority administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Cook County and Grand Marais Joint Economic Development Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and as items 2009-002 and 2015-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions.

Cook County and Grand Marais Joint Economic Development Authority's Response to Findings

The Cook County and Grand Marais Joint Economic Development Authority's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Recommendations. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 27, 2016